

CDCI ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Community First Guam Federal Credit Union

Point of Contact:	Scott K. Moylan	RSSD: (For Bank Holding Companies)	0
UST Sequence Number:	1423	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	2,650,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	15051
Date Funded (first funding):	September 24, 2010	City:	Hagatna
Date Repaid ¹ :	N/A	State:	Guam

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Community First received \$2.65 million in secondary capital (CDCI-TARP funds) on 9/24/10 and since then, we have funded over \$8.3 million in new loans. Loans have grown by 7% or \$3.8 million over this period and we expect this trend to continue with increased business and military activities.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

New loans originated include: \$2.0 million mortgage real estate & lines of credit; \$5.6 million in residential mortgages (held for sale); \$4.3 million in auto, credit card, secured/unsecured loans; and \$2.0 million in business loans & lines of credit. Loans sold (residential) totaled \$5.6 million.

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☒ **Increase securities purchased (ABS, MBS, etc.).**

Loan funding is primarily from shares/deposits and/or other borrowings. Idle funds will be invested in U.S. Government agency securities, U.S. Treasuries, fed funds sold, and money market savings or time deposit accounts, etc.

☐ **Make other investments.**

☐ **Increase reserves for non-performing assets.**

☒ **Reduce borrowings.**

Since 9/30/10, deposits have decreased by 8% or \$4.9 million. Our intention is to reduce borrowed funds depending on level of share/deposit growth and our overall cost of funds. Otherwise, borrowed funds will be utilized for liquidity requirements and to hedge against interest rate risk.

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☐ Increase charge-offs.

☐ Purchase another financial institution or purchase assets from another financial institution.

☐ Held as non-leveraged increase to total capital.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Due to assets growing much faster than net worth (15% vs. 5% as of 6/30/10), corporate credit union stabilization and insurance assessments, etc., our capital (8.9% - 6/30/09 vs. 7.8% - 6/30/10) was being pressured. The \$2.65 million in secondary capital increased our capital ratio by 350 basis pts (7.8% - 6/30/10; 11.3% - 9/30/10; 12.2% - 12/31/10) and allowed us to continue growing assets, earnings, and membership. Without the secondary capital we would have been forced to reduce our asset size (e.g., lower share/deposit rates well below market, liquidate borrowings/investments, reduce loan volume/lending activities, etc.).

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Without the secondary capital, Community First would not have been able to bid for trustee & banking services to the Federal Management Team, a court appointed (U.S. District Court of Guam) federal receiver for the Government of Guam Department of Mental Health and Substance Abuse. Additionally, without this capital infusion, we would have not considered underwriting several large business loans under the USDA guaranteed loan program. With the secondary capital, we are now able to grow assets by \$30 - \$40 million, increase lending/investment activities, and still be "well capitalized" per PCA provisions of part 702, NCUA Rules & Regulations.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.